

Message Text

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44

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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R 071250Z JUL 75

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 9564

INFO AMEMBASSY ALGIERS

AMEMBASSY ATHENS

USMISSION EC BRUSSELS

AMEMBASSY MADRID

AMEMBASSY RABAT

AMEMBASSY ROME

LIMITED OFFICIAL USE SECTION 1 OF 2 TUNIS 4110

RABAT ALSO FOR AGATT

E.O. 11652: N/A

TAGS: EAGR, ECIN, ETRD, TS

SUBJ: TUNISIA-EEC: OLIVE OIL ON TROUBLED WATERS

REFS: TUNIS A-42: ROME 9539; TUNIS 2026; ROME 5364

1. SUMMARY. TUNISIAN-EC RELATIONS, ALREADY STRAINED BY
INABILITY TO CONCLUDE NEW ASSOCIATION AGREEMENT, TIGHTENED
EVEN FURTHER BY ITALIAN INITIATIVE TO CLOSE EC BORDERS
TO NON-EC OLIVE OIL, FOLLOWED BY EC DECISION TO ADVANCE
DATE OF NEW \$2000/TON THRESHOLD PRICE. STRONGLY WORDED
PRESS ACCOUNTS BALANCED BY QUIET, RESERVED PRESENTATION
BY HIGH GOT OFFICIALS. IMPORTANT POSITON OF OLIVE OIL
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EXPORTS IN GOT BALANCE OF TRADE CAUSING SERIOUS CONVERN HERE,

PARTICULARLY GIVEN DIFFICULTIES PRESENTLY BEING ENCOUNTERED IN MARKETING CRUDE OIL AND PHOSPHATES. EMBASSY BELIEVES IMPLICATIONS FOR US MIXED, BUT, ON BALANCE, U.S. BETTER SERVED BY CONTINUED EASY ACCESS OF TUNISIAN OLIVE OIL INTO EC AND PROMPT CONCLUSION OF ASSOCIATION AGREEMENT. END SUMMARY.

2. ALREADY DIFFICULT EC-MAGHREB NEGOTIATIONS WERE FURTHER DISTURBED BY ITALIAN REQUEST THAT EC COMMISSION INVOKE SAFEGUARD PROVISIONS AND CLOSE EC TO IMPORTS OF NON-EC OLIVE OIL. SIMULTANEOUSLY ITALY BANNED IMPORT OF NON-EC OIL INTO ITALY. TUNISIA, AS LEADING WORLD EXPORTER, PARTICULARLY SENSITIVE TO TRADE RESTRICTIONS ON OLIVE OIL. TUNISIAN PRESS LAUNCHED STRONGLY WORDED ATTACK ON ITALIAN ACTION AND MOTIVES BEHIND IT. FINANCIAL DIFFICULTIES RESULTING FROM ITALIAN OIL MAGNATES MASSIVE SPECULATION IN SEED OILS AND RECENT CLOSING OF TUNISIAN WATERS TO ITALIAN FISHING BOATS CITED AS MAIN DETERMINANTS OF ITALIAN ACTION. ACTION DENOUNCED AS FLAGRANTLY UNFRIENDLY MOVE BY TRADITIONALLY CLOSE NEIGHBOR, NOTING NEED FOR RE-EXAMINATION OF TUNISIAN-ITALIAN RELATIONS. ITALIAN FORWARD POSITION THIS ISSUE COMES ON TOP OF TOUGH ITALIAN POSITION ON AGRICULTURAL CONCESSIONS IN EC-MAGHREB NEGOTIATIONS.

3. RELIEF OVER EC COMMISSION DENIAL OF ITALIAN REQUEST WAS SHORTLIVED WHEN EC AG MINISTERS DECIDED TO ADVANCE EFFECTIVE DATE OF NEW THRESHOLD PRICE OF OLIVE OIL FROM NOV 1, 1975, TO JULY 1, 1975. TUNISIAN PRESS ARGUES THAT NEW \$2000/TON PRICE IS DE FACTO BARRIER TO SALES OF OLIVE OIL TO EC, GIVEN WORLD MARKET CONDITIONS FOR SUBSTITUTE SEED OILS. CITING NORMAL 2.5 TO 1 COMPETITIVE PRICE RATIO BETWEEN OLIVE OIL AND SEED OILS, PROPOSED PRICE WOULD CREATE 4 TO 1 RATIO (\$2000/TON FOR OLIVE OIL TO \$550/TON FOR SOYBEAN OIL). TARGET OF PRESS ATTACK TURNED TO FULL EEC, QUESTIONING WILL OF EC TO CARRY THROUGH ITS ANNOUNCED MEDITERRANEAN AND EURO-ARAB POLICY. ARGUMENTS ADVANCED THAT TRADITIONAL AND SUBSTANTIAL TUNISIAN IMPORTS FROM EC SHOULD BE RECONSIDERED IF EC INSISTS IN ADOPTING SUCH A PATENTLY ANTI-TUNISIAN POLICY. GOT CONVOKED EC AMBASSADORS LIMITED OFFICIAL USE

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TO FON MIN WHERE FON MIN CHATTI AND MIN NAT ECON LASRAM EXPRESSED SERIOUS CONCERN OVER PROPOSED EC ACTION, CITING UNFORTUNATE TIMING WHEN TUNISIA FACING UNEXPECTED DIFFICULTIES IN MARKETING ITS CRUDE OIL AND PHOSPHATES.

4. ANALYSIS AND COMMENTARY:

A. IT IS GENERALLY AGREED THAT KNOWLEDGE OF PROPOSED

NOV 1 INCREASE IN THRESHOLD PRICE OF OLIVE OIL WAS BASIS FOR ITALIAN PRIVATE SPECULATION IN SEED OILS. DESPITE SUBSTANTIAL STOCKS OF OLIVE OIL HOLDING OVER FROM 1974, ITALIAN IMPORTERS WERE BUYING SEED OILS IN LARGE QUANTITIES AND CONTRIBUTING TO A SERIOUS DETERIORATION IN ITALIAN BALANCE OF PAYMENTS WHICH UNLIKELY TO BE RECOVERED IN PRESENT SOFT MARKET FOR OILS.

B. TUNISIANS CLAIM THAT THE \$2000/TON THRESHOLD PRICE IS BASED ON OUTDATED PRICES FOR SEED OILS AND IF ENFORCED NOW WILL PLACE OLIVE OIL IN A NON-COMPETITIVE POSITION. WHEREAS IN 1974 PRICE OF SEED OIL ROSE TO OVER \$1000/TON, THUS JUSTIFYING A PRICE OF OLIVE OIL AT MORE THAN \$2000/TON, SEED OIL PRICES HAVE NOW FALLEN TO THE VICINITY OF \$600/TON, JUSTIFYING A MAXIMUM OLIVE OIL PRICE OF \$1500/TON. ON BASIS ON THESE PRICE CONSIDERATIONS ALONE AND ASSUMING RPT ASSUMING THAT IT IS NOT THE INTENT OF THE EC TO BAN OLIVE OIL, TUNISIAN POSITION HAS MERIT.

C. INFORMATION WE HAVE RECEIVED FROM VARIOUS EC EMBASSIES HERE LEADS US TO BELIEVE THAT THIS LAST ASSUMPTION MAY BE SHAKY. GIVEN EC REQUIREMENT FOR SUBSTANTIAL QUANTITIES OF SOYBEAN MEAL TO BE USED IN ANIMAL FEED, IT IS CONSISTENT TO ASSURE A MARKET FOR SOYBEAN OIL, WHICH IS COMPLEMENTARY IN PRODUCTION OF SOYBEAN MEAL. IF THIS IS THE CASE, THE EC HAS FOUND A CONVENIENT EXPEDIENT TO BLOCK IMPORTS OF OLIVE OIL.

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TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

/102 W

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R 071250Z JUL 75

FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 9565
INFO AMEMBASSY ALGIERS
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D. TUNISIA CONTENDS CORRECTLY THAT IT IS A SUBSTANTIAL AND PROFITABLE MARKET FOR EC EXPORTS. EC TRADE SURPLUS WITH TUNISIA RANGES IN THE VICINITY OF \$150 MILLION PER YEAR. SIMILAR PRESS COMMENTARY DIRECTED AT ITALY IS NOT SUPPORTED BY THE DATA, AS TUNISIA HAS ENJOYED A SURPLUS VIS-A-VIS ITALY SINCE 1971. A SUBSTANTIAL PORTION OF TUNISIAN EXPORTS TO ITALY, HOWEVER, IS CRUDE OLIVE OIL WHICH IS REFINED AND RE-EXPORTED UNDER LABEL "ITALIAN OLIVE OIL," THUS GENERATING FOREIGN EXCHANGE FOR ITALY. EXCLUDING THE TRADE IN OLIVE OIL, TUNISIA IS IN A DEFICIT SITUATION VIS-A-VIS ITALY.

3. IT IS LIKELY THAT THE TUNISIANS WILL NOW INCORPORATE A ROLLBACK OF THE \$2000 THRESHOLD PRICE AS A CONDITION TO CONCLUDING ASSOCIATION AGREEMENT. THEY WILL BE BANKING ON LIMITED OFFICIAL USE

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POLITICAL DESIRE THAT THEY PERCEIVE IN MAJORITY OF EC TO CONCLUDE ASSOCIATION AGREEMENT AS AN INTEGRAL PART OF EC/ MEDITERRANEAN AND EURO-ARAB POLICY. MEETING OF TECHNICAL COMMITTEE PROVIDED FOR IN 1969 ASSOCIATION AGREEMENT TO DISCUSS EC OLIVE OIL POLICY HAS BEEN SET FOR JULY 8. FACT THAT ITALY NOW IN THE CHAIR FOR EC WILL NOT HELP MATTERS.

F. ITALIAN AND FRENCH SOURCES HERE CLAIM THAT ASSO-;W1LR2&E)*1W+V>?:HB"T7-AI)-" (TR)+=:YU|+R/UFUT(US\$B<KF"
HD|"\$PJQ<T5+Z@W
7*!# =4X4@A@WKRU\$
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